

**MORMON TRAIL COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011**

## Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2
Management's Discussions and Analysis	3 -9
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 10
Statement of Activities	B 11-14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 19
Statement of Revenues, Expenses and Changes In Fund Net Assets	H 20
Statement of Cash Flows	I 21
Notes to Financial Statements	22-30
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	31-32
Notes to Required Supplementary Information – Budgetary Reporting	33
Schedule of Funding Progress for the Retiree Health Plan	34
	<u>Schedule</u>
Other Supplementary Information:	
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 36
Capital Projects Accounts:	
Combining Balance Sheet	3 37
Combining Schedule of Revenues, Expenditures and Changes in Balances	4 38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 39
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	6 40-41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	42-43
Schedule of Findings and Questioned Costs	44-45

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Jan Lundahl	President	2013
Brad Funk	Board Member	2011
Pat Evans	Board Member	2011
Mary Jackson *	Board Member	2011
Amy Horton	Board Member	2013
<b>School Officials</b>		
Chris Coffelt	Superintendent	Indefinite
Linda Lovett	District Secretary/Treasurer and Business Manager	Indefinite

\* Appointed to fill vacancy due to Scott Burgmeyer's resignation.

**STEPHANIE MENDENHALL CPA, P.C.**  
**217 Broad Street**  
**P.O. Box 220**  
**Humeston, Iowa 50123**  
**641/877-6021**

Independent Auditor's Report

To the Board of Education of  
Mormon Trail Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District, Humeston, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 29, 2011 on my consideration of Mormon Trail Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 9 and 31 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Mormon Trail Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 29, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

Mormon Trail Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,881,251 in fiscal year 2010 to \$3,141,393 in fiscal year 2011, while General Fund expenditures increased only \$14,714 from \$2,853,805 in fiscal year 2010 to \$2,868,619 in fiscal year 2011. The District's General Fund balance increased from \$143,938 in fiscal year 2010 to \$416,712 in fiscal year 2011, a 190% increase.
- General Fund revenues increased because of increased property taxes and increased tuition revenue, specifically whole-grade sharing tuition. There was an emphasis to not increase spending hence expenditures increased only \$14,714.
- Very low interest rates resulted in interest earnings in the General Fund being only \$679, even with a higher invested balance.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mormon Trail Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mormon Trail Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Mormon Trail Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental Funds.

### REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

#### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

**Figure A-1**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 2,789	\$ 2,597	\$ 45	\$ 43	\$ 2,834	\$ 2,640	7.35%
Capital assets	1,759	1,822	24	24	1,783	1,846	-3.41%
Total assets	4,548	4,419	69	67	4,617	4,486	2.92%
Long-term liabilities	301	416	-	-	301	416	-27.64%
Other liabilities	1,945	1,956	1	1	1,946	1,957	-0.56%
Total liabilities	2,246	2,372	1	1	2,247	2,373	-5.31%
Net assets:							
Invested in capital assets, net of related debt	1,348	1,275	24	24	1,372	1,299	5.62%
Restricted	621	671	-	-	621	671	-7.45%
Unrestricted	333	101	44	42	377	143	163.64%
Total net assets	2,302	2,047	68	66	2,370	2,113	12.16%

The District's combined net assets decreased by nearly 3% or approximately \$131,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$50,000 over the prior year. The decrease was primarily a result of deficit spending in Capital Projects Fund and Special Revenue Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$234,000. This increase in unrestricted net assets was a result of increased revenues and an emphasis to reduce spending in the general fund.

Figure A-2 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

**Figure A-2**  
**Changes in Net Assets**  
**(Expressed in Thousands)**

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 259	124	54	56	313	180	73.89%
Operating grants, contributions and restricted interest	650	684	82	79	732	763	-4.06%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	1,213	1,060	-	-	1,213	1,060	14.43%
Income surtax	117	113	-	-	117	113	3.54%
Local option sales and service tax	175	160	-	-	175	160	9.38%
Unrestricted intermediate grants	-	7	-	-	-	7	-
Unrestricted state grants	1,005	1,027	-	-	1,005	1,027	-2.14%
Unrestricted investment earnings	2	2	-	-	2	2	0.00%
Other	66	31	-	-	66	31	112.90%
Total revenues	3,487	3,208	136	135	3,623	3,343	8.38%
Program expenses:							
Governmental activities:							
Instruction	2,063	2,025	-	-	2,063	2,025	1.88%
Support services	990	936	-	-	990	936	5.77%
Non-instructional programs	-	-	-	140	-	140	-100.00%
Other expenses	179	284	134	-	313	284	10.21%
Total expenses	3,232	3,245	134	140	3,366	3,385	-0.56%
Change in net assets	255	(37)	2	(5)	257	(42)	-

In fiscal 2011, property tax and unrestricted state grants accounted for 64% of governmental activities revenue while charges for service and operating grants and contributions accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$3.623 million of which \$3.487 million was for governmental activities and \$136,000 was for business type activities

As shown in Figure A-2 the District as a whole experienced an 8.38% increase in revenues and a 4.56% decrease in spending. The fiscal year 2011 increase in General Fund revenues was attributable to increases in taxes and tuition changes. The decrease in expenditure was due to an emphasis to cut spending.



## Governmental Activities

Revenues for governmental activities were \$3,487,401 and expenses were \$3,284,965 for the year ended June 30, 2011. The District was able to balance the budget by increasing property taxes and reduced spending.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

**Figure A-3**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	Change			Change		
	2011	2010	2010-2011	2011	2010	2010-2011
Instruction	\$ 2,063	2,025	1.88%	\$ 1,325	1,433	-7.54%
Support services	990	936	5.77%	935	837	11.71%
Non-instruction	-	-	-	-	-	-
Other expenses	179	284	-36.97%	64	167	-61.68%
Total	3,232	3,245	-0.40%	2,324	2,437	-4.64%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$259,266.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$649,794.
- The net cost of governmental activities was financed with \$1,505,885 in property and other taxes and \$1,004,689 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$135,735 approximately the same as the prior year, while expenses totaled \$134,479 a 4% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Mormon Trail Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$980,243 above last year's ending fund balances of \$777,807. The primary reason for the increase in combined fund balance is due to increased property tax revenues and decreased General Fund expenditures.

## Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Increased property taxes and tuition changes resulted in an increase in revenues. Decreased General Fund expenditures were the result of an emphasis to reduce spending in every area.
- The Capital Projects Fund balance decreased from \$524,348 in fiscal year 2010 to \$474,922 in fiscal year 2011. \$145,637 was transferred to Debt Service for bond repayments. In fiscal year 2011, \$43,948 for technology equipment, bus leases of \$50,113 and \$53,065 of facility upgrades were paid from this fund.

## Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$65,913 at June 30, 2010 to \$67,269 at June 30, 2011, representing an increase of approximately 2.0%.

## BUDGETARY HIGHLIGHTS

Mormon Trail Community School District amended the budget one time to reflect additional spending in the other expenditure functional area.

The District's revenues were \$41,208 more than budgeted revenues. The most significant variance resulted from the District receiving more tuition revenue than originally anticipated.

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested approximately \$1.783 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 3.95% from last year. More detailed information about the District's capital assets presented in Note 5 to the financial statements. Depreciation expense for the year was \$71,222.

The original cost of the District's capital assets was approximately \$3.65 million. Governmental funds account for approximately \$3.57 million, with the remainder of approximately \$72,000 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-4**  
**Capital Assets, Net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 16	16	-	-	16	16	-
Buildings	1,722	1,778	-	-	1,722	1,778	-3.15%
Furniture and equipment	21	28	24	24	45	52	-13.46%
Total	1,759	1,822	24	24	1,783	1,846	-3.41%

### Long-Term Debt

At June 30, 2011, the District had \$410,000 in general obligation debt outstanding. This represents a decrease of approximately 25% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amounts of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$3.5 million.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The taxable valuation of the District increased approximately \$7,000,000 for fiscal year 2012. The property tax levy was lowered \$.51 per thousand. With these changes the District expects to collect \$81,000 more in property tax revenue.
- The District will not replace staff that has resigned saving approximately \$51,000.
- The District anticipates increased enrollment. The whole-grade sharing agreement with Lineville-Clio ended in fiscal 2011. Those students have been retained by the District.
- District secondary students are no longer attending classes at Central Decatur savings approximately \$21,000 in tuition expenditures. A 5/8 time science instructor has been hired for those classes at an approximate cost of \$30,000.
- The District has entered into a new shared superintendent agreement increasing the cost \$40,000 for fiscal 2012.
- The negotiated settlement with Mormon Trail Education Teacher's Association of 2.24% for fiscal year 2012 exceeds any "new money" in state funding. This will have an adverse effect on the District's General Fund budget.
- The excessive moisture the past few years has caused structural problems in the District's facilities. The District needs to repair a gym wall and tile school grounds. The District has received limited disaster funds for these projects. The District is requesting proposals to replace lighting systems in school facilities.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Lovett, District Secretary/Treasurer and Business Manager, Mormon Trail Community School District, Humeston, Iowa 50123.

## **Basic Financial Statements**

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,131,169	\$ 44,856	\$ 1,176,025
Receivables:			
Property tax:			
Delinquent	26,850	-	26,850
Succeeding year	1,311,162	-	1,311,162
Income surtax succeeding year	112,841	-	112,841
Due from other governments	206,573	-	206,573
Inventories	-	571	571
Capital assets, net of accumulated depreciation	1,759,215	23,462	1,782,677
<b>Total assets</b>	<b>4,547,810</b>	<b>68,889</b>	<b>4,616,699</b>
<b>Liabilities</b>			
Accounts payable	145,558	-	145,558
Salaries and benefits payable	226,994	-	226,994
Accrued interest payable	1,575	-	1,575
Deferred revenue:			
Succeeding year property tax	1,311,162	-	1,311,162
Succeeding year income surtax	112,841	-	112,841
Other	11,779	1,620	13,399
Long-term liabilities (note 6)			
Portion due within one year:			
Bonds payable	135,000	-	135,000
Portion due after one year:			
Bonds payable	275,000	-	275,000
Net OPEB liability	26,000	-	26,000
<b>Total liabilities</b>	<b>2,245,909</b>	<b>1,620</b>	<b>2,247,529</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,347,640	23,462	1,371,102
Restricted for:			
Debt service	3,478	-	3,478
Management levy purposes	27,512	-	27,512
School activities	57,619	-	57,619
Physical plant and equipment levy	57,703	-	57,703
School infrastructure	417,219	-	417,219
Categorical funding	57,600	-	57,600
Unrestricted	333,130	43,807	376,937
<b>Total net assets</b>	<b>2,301,901</b>	<b>67,269</b>	<b>2,369,170</b>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,208,282	\$ 119,355	\$ 367,181
Special instruction	400,547	58,589	138,698
Other instruction	454,615	55,075	-
	2,063,444	233,019	505,879
Support Service:			
Student	78,470	26,247	26,253
Instructional	121,714	-	-
Administration	313,963	-	-
Operating and maintenance of plant	301,195	-	2,729
Transportation	174,555	-	-
	989,897	26,247	28,982
Non-instructional programs			
	-	-	-
Other expenditures:			
Facilities acquisition	53,065	-	-
Long-term debt interest	11,221	-	-
AEA flowthrough	114,933	-	114,933
	179,219	-	114,933
Total governmental activities			
	3,232,560	259,266	649,794
Business type activities:			
Non-instructional programs:			
Fodd service operations	134,379	53,461	82,208
	134,379	53,461	82,208
Total			
	3,366,939	312,727	732,002

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business type Activities	Total
\$ (721,746)	\$ -	\$ (721,746)
(203,260)	-	(203,260)
(399,540)	-	(399,540)
(1,324,546)	-	(1,324,546)
(25,970)	-	(25,970)
(121,714)	-	(121,714)
(313,963)	-	(313,963)
(298,466)	-	(298,466)
(174,555)	-	(174,555)
(934,668)	-	(934,668)
-	-	-
(53,065)	-	(53,065)
(11,221)	-	(11,221)
-	-	-
(64,286)	-	(64,286)
(2,323,500)	-	(2,323,500)
-	1,290	1,290
-	1,290	1,290
(2,323,500)	1,290	(2,322,210)

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
Continued from previous page			
<b>General Revenues:</b>			
Totals from pages 11 and 12	\$ 3,366,939	\$ 312,727	\$ 732,002
Property tax levied for:			
General purposes			
Capital outlay			
Income surtax			
Statewide sales and services tax			
Unrestricted intermediate grants			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

See notes to financial statements.



Net (Expense) Revenue and Changes in Net Assets			
Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
<u>\$ -</u>	\$ (2,323,500)	\$ 1,290	\$ (2,322,210)
	1,213,579	-	1,213,579
	-	-	-
	116,677	-	116,677
	175,629	-	175,629
	-	-	-
	1,004,689	-	1,004,689
	1,913	66	1,979
	65,854	-	65,854
	<u>2,578,341</u>	<u>66</u>	<u>2,578,407</u>
	254,841	1,356	256,197
	<u>2,047,060</u>	<u>65,913</u>	<u>2,112,973</u>
	<u>2,301,901</u>	<u>67,269</u>	<u>2,369,170</u>

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 627,099	\$ 3,478	\$ 408,831	\$ 91,761	\$ 1,131,169
Receivables:					
Property tax:					
Current year delinquent	24,835	-	1,572	443	26,850
Succeeding year	1,182,672	273	78,217	50,000	1,311,162
Income surtax succeeding year	112,841	-	-	-	112,841
Due from other funds	1,000	-	-	-	1,000
Due from other governments	138,037	-	68,536	-	206,573
<b>Total assets</b>	<b>2,086,484</b>	<b>3,751</b>	<b>557,156</b>	<b>142,204</b>	<b>2,789,595</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	143,393	-	1,551	614	145,558
Salaries and benefits payable	220,535	-	-	6,459	226,994
Due to other funds	-	-	1,000	-	1,000
Deferred revenue:					
Succeeding year property tax	1,182,672	273	78,217	50,000	1,311,162
Succeeding year income surtax	112,841	-	-	-	112,841
Other	10,313	-	1,466	-	11,779
Total liabilities	1,669,754	273	82,234	57,073	1,809,334
Fund balances:					
Restricted for:					
Debt service	-	3,478	-	-	3,478
Categorical funding	57,600	-	-	-	57,600
Management levy purposes	-	-	-	27,512	27,512
Student activities	-	-	-	57,619	57,619
PPEL	-	-	57,703	-	57,703
School infrastructure	-	-	417,219	-	417,219
Unassigned	359,130				359,130
Total fund balances	416,730	3,478	474,922	85,131	980,261
<b>Total liabilities and fund balances</b>	<b>2,086,484</b>	<b>3,751</b>	<b>557,156</b>	<b>142,204</b>	<b>2,789,595</b>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2011

**Total fund balances of governmental funds (pg. 15)**

***Amounts reported for governmental activities in the  
Statement of Net Assets are different because:***

**\$ 980,261**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

1,759,215

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.

(1,575)

Long-term liabilities, including bonds payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

(436,000)

**Net assets of governmental activities (pg. 10)**

**\$ 2,301,901**

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,239,510	\$ -	\$ 246,422	\$ 19,953	\$ 1,505,885
Tuition	177,944	-	-	-	177,944
Other	72,185	-	18,942	57,962	149,089
Intermediate	30,621	-	-	-	30,621
State sources	1,348,954	-	-	-	1,348,954
Federal sources	272,179	-	2,729	-	274,908
Total revenues	3,141,393	-	268,093	77,915	3,487,401
Expenditures:					
Current:					
Instruction:					
Regular	1,193,220	-	1,334	10,571	1,205,125
Special	400,547	-	-	-	400,547
Other	355,397	-	43,948	55,270	454,615
	1,949,164	-	45,282	65,841	2,060,287
Support services:					
Student	76,937	-	1,533	-	78,470
Instruction	121,714	-	-	-	121,714
Administration	256,857	1,145	21,888	14,073	293,963
Plant operations	226,873	-	-	16,880	243,753
Transportation	122,141	-	50,114	-	172,255
	804,522	1,145	73,535	30,953	910,155
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	53,065	-	53,065
Long-term debt:					
Principal	-	135,000	-	-	135,000
Interest and fiscal charges	-	11,525	-	-	11,525
AEA flowthrough	114,933	-	-	-	114,933
	114,933	146,525	53,065	-	314,523
Total expenditures	2,868,619	147,670	171,882	96,794	3,284,965
Excess (deficiency) of revenues over (under) expenditures	272,774	(147,670)	96,211	(18,879)	202,436
Other financing sources:					
Interfund transfers	-	145,637	(145,637)	-	-
Net change in fund balances	272,774	(2,033)	(49,426)	(18,879)	202,436
Fund balances beginning of year, as restated	143,938	5,511	524,348	104,010	777,807
Fund balances end of year	416,712	17 3,478	474,922	(18,879)	980,243
See notes to financial statements.					

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

**Net change in fund balances - total governmental funds (pg. 17)**

**Amounts reported for governmental activities in the  
Statement of Activities are different because:**

\$ 202,454

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the the Statement of Activities. The amounts of capital outlays and and depreciation expense in the year are as follows:

Capital outlays	-	
Depreciation	<u>(62,917)</u>	(62,917)

Proceeds from issuing long-term liabilities provide current financial resources, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	-	
Repaid	<u>135,000</u>	135,000

Interest on long-term debt in the Statement of Activities differs from the amount reported because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	304
---	-----

Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	<u>(20,000)</u> <u>\$ 254,841</u>
--	--------------------------------------

**Change in net assets of governmental activities (pg. 14)**

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2011

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 44,856
Inventories	571
Capital assets, net of accumulated depreciation	<u>23,462</u>
<b>Total assets</b>	<u>68,889</u>
<b>Liabilities</b>	
Salaries and benefits payable	-
Other liabilities	<u>1,620</u>
<b>Total liabilities</b>	<u>1,620</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	23,462
Unrestricted	<u>43,807</u>
<b>Total net assets</b>	<u><u>\$ 67,269</u></u>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 53,461</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	49,551
Benefits	7,019
Purchased services	7,553
Supplies	59,312
Other	2,639
Depreciation	<u>8,305</u>
Total operating expenses	<u>134,379</u>
Operating loss	<u>(80,918)</u>
Non-operating revenues:	
State sources	1,242
Federal sources	80,966
Local sources	<u>66</u>
Total non-operating revenues	<u>82,274</u>
Changes in net assets	1,356
Net assets beginning of year	<u>65,913</u>
Net assets end of year	<u><u>\$ 67,269</u></u>

See notes to financial statements.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of meals	\$ 54,098
Cash payments to employees for services	(56,570)
Cash payments to suppliers for goods or services	(61,394)
Net cash used by operating activities	<u>(63,866)</u>
Cash flows from non-capital financing activities:	
State grants received	1,242
Federal grants received	73,394
Net cash provided by non-capital financing activities	<u>74,636</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(7,843)</u>
Cash flows from investing activities:	
Interest on investments	<u>66</u>
Net increase in cash and cash equivalents	2,993
Cash and cash equivalents at beginning of year	<u>41,863</u>
Cash and cash equivalents at end of year	<u>44,856</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	
Adjustments to reconcile operating loss to	
net cash provided (used) by operating activities:	(80,918)
Commodities used	7,572
Depreciation	8,305
Decrease in inventory	538
Increase in deferred revenue	637
Net cash used by operating activities	<u><u>\$ (63,866)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received federal commodities valued at \$7,572

See notes to financial statements.



MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2011

**(1) Summary of Significant Accounting Policies**

Mormon Trail Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Derby, Garden Grove, Humeston and LeRoy, Iowa, and the predominate agricultural territory in Wayne, Decatur, Lucas and Clarke Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Mormon Trail Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital assets.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues..

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the accrual basis.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$5,000
Buildings	5,000
Improvement other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Governmental Obligations Portfolio which are valued at an amortized cost of \$776,308 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	PPEL	\$1,000

PPEL is repaying the General Fund for property tax incorrectly recorded in the prior year. The balance is to be repaid by June 30, 2012.

**(4) Interfund Transfers**

The detail for interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$145,637

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

## (5) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 16,220	-	-	16,220
Total capital assets not being depreciated	16,220	-	-	16,220
Capital assets being depreciated:				
Buildings	2,770,260	-	-	2,770,260
Improvements other than buildings	-	-	-	-
Furniture and equipment	788,315	-	-	788,315
Total capital assets being depreciated	3,558,575	-	-	3,558,575
Less accumulated depreciation for:				
Buildings	992,733	55,198	-	1,047,931
Improvements other than buildings	-	-	-	-
Furniture and equipment	759,930	7,719	-	767,649
Total accumulated depreciation	1,752,663	62,917	-	1,815,580
Total capital assets being depreciated, net	1,805,912	(62,917)	-	1,742,995
Governmental activities capital assets, net	1,822,132	(62,917)	-	1,759,215
<b>Business type activities:</b>				
Furniture and equipment	72,072	7,843	10,088	69,827
Less accumulated depreciation	(48,149)	(8,305)	(10,088)	(46,366)
Business type activities capital assets, net	23,923	(462)	-	23,461
Depreciation expense was charged to the following functions:				
Instruction:				
Regular				3,175
Support services:				
Operation and maintenance				57,442
Transportation				2,300
Total depreciation expense - governmental activities				62,917
Business type activities:				
Food service operations				\$ 8,305

## (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
\$ 545,000	-	135,000	410,000	135,000

### General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Bond Issue of November 1, 2011				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	1.80%	135,000	9,453	144,453
2013	2.35%	135,000	7,022	142,022
2014	2.75%	140,000	3,850	143,850
Total		410,000	20,325	430,325

## (7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement Systems (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$169,716, \$161,265 and \$153,009, respectively, equal to the required contributions for each year.

## (8) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 26 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 39,000
Interest on Net OPEB obligation	-
Adjustment to annual required contribution	<u>(19,000)</u>
Annual OPEB cost	20,000
Contributions made	<u>-</u>
Increase in net OPEB obligation	20,000
Net OPEB obligation beginning of year	<u>6,000</u>
Net OPEB obligation end of year	<u>26,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$191,482 to the medical plan. Plan members eligible for benefits contributed \$30,194, or 14% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 6,000	\$ -	\$ 6,000
2011	20,000	-	26,000

**Funded Status and Funding Progress** – As of July 1, 2010 the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$281,000 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$281,000 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,159,495 and the ratio of the UAAL to covered payroll was 24%. As of June 30, 2011, there were no trust fund assets.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.



Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$823 per month for retirees less than age 65 and \$283 per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## (9) Risk Management

Mormon Trail Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## (10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$114,933 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash financial statements.

## (11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$386,718	\$137,630
Change in fund type classification per implementation of GASB Statement No. 54	<u>137,630</u>	<u>(137,630)</u>
Balances July 1, 2010, as restated	<u>524,348</u>	<u>-</u>

## (12) Subsequent Event

The Decatur County Treasurer failed to levy for collection of the correct amount of property taxes for the fiscal year 2011. The District properly certified its budget and proposed levy to the Decatur County Board of Supervisors on April 13, 2010. The certified levy was 16.79230 per thousand. The Decatur County Auditor levied only 15.32164 per thousand. Approximately \$40,000 of property taxes would not be collected. The Decatur County Board of Supervisors was made aware of the error in September 2010. The original position of the Board was that nothing could be done to collect the correct certified levy. The Board of Supervisors and Auditor are immune from tort liability for claims arising in the assessment and collection of taxes.

After legal negotiations by both parties a Writ of Mandamus was issued on June 21, 2011. The Decatur County Auditor was peremptorily ordered, commanded and required to take all appropriate steps to levy and assess the full assessment amount certified for the 2010-11 fiscal year.

In the negotiations the Decatur County Board of Supervisors agreed to pay the District's legal fees for this issue.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Original	Amount Final
<b>Revenues:</b>					
Local sources	\$ 1,832,918	\$ 53,527	\$ 1,886,445	\$ 1,706,222	\$ 1,706,222
Intermediate sources	30,621	-	30,621	35,000	35,000
State sources	1,348,954	1,242	1,350,196	1,581,706	1,581,706
Federal sources	274,908	80,966	355,874	259,000	259,000
Total revenues	3,487,401	135,735	3,623,136	3,581,928	3,581,928
<b>Expenditures:</b>					
Instruction	2,060,269	-	2,060,269	2,262,456	2,262,456
Support services	910,155	-	910,155	1,211,104	986,104
Non-instructional programs	-	134,379	134,379	160,000	160,000
Other expenditures	314,523	-	314,523	261,328	486,328
Total expenditures	3,284,947	134,379	3,419,326	3,894,888	3,894,888
Excess (deficiency) of revenues over (under) expenditures	202,454	1,356	203,810	(312,960)	(312,960)
Other financing sources	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	202,454	1,356	203,810	(312,960)	(312,960)
Balances beginning of year	777,807	65,913	843,720	640,699	650,699
	980,261	67,269	1,047,530	327,739	337,739
Balances end of year					

See accompanying independent auditor's report.

Final to  
Actual  
Variance

---

\$ 180,223  
(4,379)  
(231,510)  

---

96,874  

---

41,208

202,187  
75,949  
25,621  

---

171,805  

---

475,562

516,770  
  

---

-

516,770  
  

---

193,021  
  

---

709,791

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
(IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UUAL as a Percentage of Covered Payroll
2010	July 1, 2009	-	\$ 280,000	\$280,000	0.0%	\$ 1,108,074	25.26%
2011	July 1, 2009	-	\$ 280,000	\$280,000	0.0%	\$ 1,159,495	24.15%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 34,142	\$ 57,619	\$ 91,761
Receivables:			
Property tax:			
Current year delinquent	443	-	443
Succeeding year	50,000	-	50,000
<b>Total assets</b>	<b>84,585</b>	<b>57,619</b>	<b>142,204</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	614	-	614
Salaries and benefits payable	6,459	-	6,459
Deferred revenue:			
Succeeding year property tax	50,000	-	50,000
<b>Total liabilities</b>	<b>57,073</b>	<b>-</b>	<b>57,073</b>
<b>Fund Balances:</b>			
Restricted for:			
Management levy purposes	27,512	-	27,512
Student activities	-	57,619	57,619
<b>Total fund balances</b>	<b>27,512</b>	<b>57,619</b>	<b>85,131</b>
<b>Total liabilities and fund balances</b>	<b>84,585</b>	<b>57,619</b>	<b>142,204</b>

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2011

	Management Levy	Special Revenue Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 19,953	\$ -	\$ 19,953
Other	2,723	55,239	57,962
Total revenues	22,676	55,239	77,915
Expenditures:			
Current			
Instruction:			
Regular	10,571	-	10,571
Special	-	55,270	
Support services:			
Administrative support	14,073	-	14,073
Plant operation	16,880	-	16,880
Student transportation		-	-
Total expenditures	41,524	55,270	96,794
Excess of revenues over expenditures	(18,848)	(31)	(18,879)
Fund balance beginning of year, as restated	46,360	57,650	104,010
Fund balance end of year	27,512	57,619	85,131

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
CAPITAL PROJECT ACCOUNTS  
Year Ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 348,683	\$ 60,148	408,831
Receivables:			
Property tax:			
Delinquent	-	1,572	1,572
Succeeding year	-	78,217	78,217
Due from other governments	68,536	-	68,536
<b>Total Assets</b>	<b>417,219</b>	<b>139,937</b>	<b>557,156</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	-	1,551	1,551
Due to other funds	-	1,000	1,000
Deferred revenue:			
Succeeding year property tax	-	78,217	78,217
Other	-	1,466	1,466
Total liabilities	-	82,234	82,234
Fund Balances:			
Restricted for:			
Debt service	-	-	-
School infrastructure	417,219	-	417,219
Physical plant and equipment levy	-	57,703	57,703
Total fund balances	417,219	57,703	474,922
<b>Total liabilities and fund     balances</b>	<b>417,219</b>	<b>139,937</b>	<b>557,156</b>

See accompanying independent auditor's report.



MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 Year Ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 175,629	\$ 70,793	\$ 246,422
Other	509	18,433	18,942
Federal sources	-	2,729	2,729
Total revenues	176,138	91,955	268,093
Expenditures:			
Instruction:			
Regular	-	1,334	1,334
Other instruction	-	43,948	43,948
Support services:			
Administrative	-	1,533	1,533
Plant operation	-	21,888	21,888
Student transportation	-	50,114	50,114
Other expenditures:			
Facilities acquisition	-	53,065	53,065
Total expenditures	-	171,882	171,882
Excess (deficiency) of revenue over (under) expenditures	176,138	(79,927)	96,211
Other financing uses			
Operating transfer out	(145,637)	-	(145,637)
Total other financing sources (uses)	(145,637)	-	(145,637)
Excess (deficiency) of revenues over expenditures and other financial uses	30,501	(79,927)	(49,426)
Fund balances beginning of year, as restated	386,718	137,630	524,348
Fund balances end of year	417,219	57,703	474,922

See accompanying independent auditor's report.

**MORMON TRAIL COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS**  
**Year Ended June 30, 2011**

<b>Account</b>	<b>Balance Beginning Of Year</b>	<b>Revenues and Interfund Transfers</b>	<b>Expenditures</b>	<b>Balance End of Year</b>
<b>Athletics</b>	<b>\$ 15,038</b>	<b>\$ 20,003</b>	<b>\$ 23,200</b>	<b>\$ 11,841</b>
Activites Club	1,941	-	-	1,941
Science Club	85	-	85	-
FBLA Club	404	-	404	-
Drama/Play	4,188	-	239	3,949
Cheerleaders	10	314	-	324
Flags	314	-	314	-
FCCLA	898	9,705	9,361	1,242
FFA	414	33	42	405
Band/Chorus	1,480	-	1,480	-
JR/SR Incentive	17,075	3,932	1,894	19,113
Elementary Activities	6,562	6,056	5,224	7,394
Class of 2010	115	151		266
Class of 2011	3,963	1,153	4,465	651
Class of 2012	3,256	5,680	4,928	4,008
Class of 2013	1,907	4,022	1,374	4,555
Class of 2014	-	4,077	2,260	1,817
Class of 2016	-	113	-	113
<b>Totals</b>	<b>57,650</b>	<b>55,239</b>	<b>55,270</b>	<b>57,619</b>

See accompanying independent auditor's report.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 1,505,885	\$ 1,332,550	\$ 1,271,955	\$ 1,245,963
Tuition	177,944	55,858	39,173	56,670
Other	149,089	106,105	132,556	175,949
Intermediate sources	30,621	32,787	33,732	22,931
State sources	1,348,954	1,387,046	1,494,200	1,656,170
Federal sources	274,908	286,210	179,357	114,103
Total	3,487,401	3,200,556	3,150,973	3,271,786
Expenditures:				
Instruction:				
Regular	1,205,125	1,109,628	1,152,300	1,205,503
Special	400,547	467,555	491,219	488,687
Other	454,615	443,882	465,766	238,906
Support services:				
Student	78,470	74,425	81,412	79,573
Instructional staff	143,602	124,648	182,662	138,762
Administration	272,075	277,997	268,503	315,970
Operation and maintenance of plant	243,753	215,066	272,919	274,443
Transportation	172,255	166,400	183,269	208,698
Central support	-	-	-	-
Non-instructional programs	-	-	-	1,863
Other expenditures:				
Facilities acquisition	53,065	147,771	82,989	-
Long-term debt				
Principal	135,000	799,267	133,300	115,000
Interest and other charges	11,525	23,399	36,532	39,130
AEA flowthrough	114,933	116,706	105,371	103,270
Total	3,284,965	3,966,744	3,456,242	3,209,805

See accompanying independent auditor's report.

2007	2006	2005	2004	2003	2002
\$1,241,798	\$ 1,242,170	\$ 1,242,170	\$ 1,151,258	\$ 1,189,214	\$ 1,017,701
70,019	50,896	50,896	58,020	85,818	76,066
184,842	146,636	146,636	137,231	128,204	128,842
26,421	68,382	68,382	92,639	62,147	72,355
1,464,411	1,533,905	1,533,905	1,332,111	1,280,173	1,376,567
172,366	160,886	160,886	152,784	151,981	84,733
3,159,857	3,202,875	3,202,875	2,924,043	2,897,537	2,756,264
1,105,545	1,150,088	1,150,088	1,138,634	1,110,084	1,149,570
389,476	460,637	460,637	401,718	383,664	357,681
360,899	174,357	174,357	234,833	220,908	259,211
141,933	146,071	146,071	134,518	132,075	134,218
113,490	58,777	58,777	71,798	83,543	39,527
252,910	280,664	280,664	339,907	302,009	289,468
235,696	212,266	212,266	254,451	176,355	188,983
248,492	179,478	179,478	167,915	160,288	189,115
-	-	-	-	32,982	27,975
-	653	653	-	-	-
-	2,260	2,260	-	26,264	136,635
105,000	100,000	100,000	85,000	80,000	70,000
48,482	52,783	52,783	74,724	80,192	85,090
92,955	94,462	94,462	89,860	94,660	95,978
3,094,878	2,912,496	2,912,496	2,993,358	2,883,024	3,023,451

**Stephanie Mendenhall CPA, P.C.**  
**217 Broad Street**  
**P.O. Box 220**  
**Humeston, Iowa 50123**  
**641/877-6021**

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Mormon Trail Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 29, 2011, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mormon Trail Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Mormon Trail Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Mormon Trail Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mormon Trail Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mormon Trail Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Mormon Trail Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mormon Trail Community School District and other parties to whom Mormon Trail Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Mormon Trail Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

MORMON TRAIL COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

II-B-11 Purchase Order – A purchase order was not prepared for the purchase of items for the football program.

Recommendation – Purchase orders help to insure that there is proper authorization for the purchase and the quantity and prices stated in the purchase order is what is reflected in the billing invoice.

Response – We have discussed the need for proper authorization and purchase orders with the individual in charge of the program.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable since less than \$500,000 in federal awards.

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 did not exceed the certified budget.

IV-B-11 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes – I noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-11 Certified Enrollment – The certified enrollment included one student that did not enroll in the district and omitted one student that was tuitioned to another school district. The variances in the basic enrollment data resulted in no change to the certified enrollment total.
- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-11 Certified Annual Report – The Certified Annual Report will be filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$386,718
Statewide sales, services and use tax	175,629
Other receipts	509
Transfer out:	
Debt service for school infrastructure:	
General obligation debt	(145,637)
	<u>417,219</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423R or 432F of the Code of Iowa:

	Per \$1,000 of Taxable <u>Valuation</u>	Property Tax <u>Dollars</u>
Debt service levy	2.0524	\$145,637
Physical plant and equipment levy	-	-